

Message Text

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ACTION NEA-06

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FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 919

INFO AMEMBASSY JIDDA

AMEMBASSY LONDON

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LIMDIS

NOFORN

E.O. 11652: XGDS-1 - IMPOSSIBLE TO DETERMINE

TAGS: EFIN, ECON, MU

SUBJECT: LATEST ON OMANI FINANCES: TWO YANKEE BANKERS IN
SULTAN QABOOS' COURT

REF: MUSCAT 228 AND 235, STATE 40583

SUMMARY: TO THEIR APPARENT SURPRISE, CHASE MANHATTAN BANK REPS
PHILPOT AND SAMBAR FOUND THEIR FEB 25-27 MISSION TO OMAN TO BE
LITTLE MORE THAN WINDOW DRESSING WITH EARMARKS OF BEING STAGE-
MANAGED BY PALACE ADVISERS. SULTAN TOOK LINE WITH PHILPOT THAT
SO-CALLED CRISIS WAS ENGINEERED BY THE BRITISH. BBME REPORTEDLY
NOW HAS AGREED TO TIDE OMANGOV OVER THROUGH APRIL WHEN NEXT
SUBSTANTIAL OIL REVENUES EXPECTED. EPISODE LEAVES EMBASSY
SKEPTICAL THAT OMANIS SERIOUSLY INTEND TO INSTITUTE MUCH-
NEEDED IMPROVEMENTS IN FINANCIAL CONTROLS AND PLANNING.
END SUMMARY.

1. CHASE BANK REPS PHILPOT AND SAMBAR GAVE AMBASSADOR THIS
ACCOUNT OF THEIR STAY IN OMAN BEFORE DEPARTING EARLY FEB 28.

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SAID PURPOSE PALACE APPARENTLY HAD IN MIND IN INVITING CHASE

REPS HERE HAS BEEN SERVED, WITH NO FURTHER "REPORT" FROM THEM DESIRED BY HM OR OMANGOV AT THIS JUNCTURE.

2. FEB 25. DAY SPENT LARGELY WAITING FOR APPOINTMENTS TO MATERIALIZE, EXCEPT FOR THOROUGH EMBASSY BRIEFING, WHICH INCLUDED PALACE POLITICS ASPECTS, AND SHORT CONVERSATIONS WITH OMANI ECONOMIC ADVISOR TOWNSEND AND SULTAN'S LEGAL ADVISOR HILL. (HILL ARRIVED HERE 24TH, SET UP ALL MEETINGS EXCEPT AT EMBASSY, AND DEPARTED OMAN WITH CASE REPS.)

3. FEB 26. IN LENGTHY MORNING SESSION WITH MUHAMMAD MUSA, OMANI ASST UNDERSEC IN DG OF FINANCE, LATTER PROVIDED USEFUL BRIEFING ON COUNTRY'S GENERAL FINANCIAL SITUATION INCLUDING PRESENT AND ANTICIPATED OIL REVENUE PATTERNS, AND ON NEGOTIATIONS OVER PAST THREE WEEKS WITH BBME, MORAN AND GRENFELLS AND HAMBROS FOR CREDIT FACILITIES THROUGH 1975. LATER TOWNSEND MET WITH THEM SEPARATELY AND WHILE ALSO OF SOME HELP, INTIMATED HE HAD BEEN RESTRAINED FROM PROVIDING FULL DETAIL UNTIL AFTER THEY HAD SEEN SULTAN QABOOS. IN COURSE OF DAY, APPOINTMENT MADE FOR PHILPOT FLY NEXT MORNING TO SALALAH TO SEE HM (IN CURIOUS LATE EVENING EPISODE, HILL INFORMED PHILPOT THAT MEETING WITH SULTAN UNFORTUNATELY CANCELLED DUE "ILLNESS." WHEN PHILPOT REPLIED HE FOUND THIS UPSETTING AND THAT BANK CHAIRMAN ROCKEFELLER MIGHT FIND IT UNFORTUNATE FOR HIS REPRESENTATIVE NOT TO HAVE ROYAL AUDIENCE IN THIS INSTANCE, HILL EXCUSED HIMSELF AND AFTER A PHONE CALL OR TWO REPORTED BACK THAT AUDIENCE WITH SULTAN WAS BACK ON SCHEDULE.)

4. FEB 27. PHILPOT WAS FLOWN TO SALALAH ACCOMPANIED BY GHASSAN SHAKER BEARING ARMLOAD OF PAPERS AND DOCUMENTS HE SAID WERE FOR SULTAN'S SIGNATURE. AFTER WAITING SEVERAL HOURS WHILE SHAKER AND VARIOUS OTHER VISITORS SAW HM, PHILPOT RECEIVED HALF-HOUR AUDIENCE WITH SHAKER PRESENT THROUGHOUT. HE FOUND QABOOS POISED AND IN APPARENT GOOD HUMOR. QABOOS TOOK LINE HE DOES NOT BELIEVE REAL FINANCIAL PROBLEM EXISTS, HOWEVER SAID THAT THE BRITISH, BEING UPSET AT OMANI EFFORTS TO OPERATE BY THEMSELVES AND MIFFED BY SUCCESS OF SULTAN'S OWN RECENT VISIT TO WASHINGTON, HAVE SPREAD FALSE RUMORS TO THIS EFFECT. ASKED HOW HE SEES SITUATION, PHILPOT TOLD SULTAN THAT BASED ON HIS BRIEF EXPOSURE TO OMAN HE SAW A NEED FOR ADEQUATE

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FINANCIAL AND DEVELOPMENT PLANNING AND CONTROLS, AND HE WAS PUZZLED BY THE OMANI PRACTICE OF MAKING HEAVY AND EVEN COMPLETE CONTRACT PAYMENTS IN EARLY STAGES OF PROJECT PERFORMANCE. SULTAN'S REMARKS THROUGHOUT CONVERSATION REFLECTED NO FEELING WHATEVER OF URGENCY OR CONCERN, THOUGH HE DID SAY THAT FOR "NEXT TWO OR THREE YEARS" HE IS NOT THINKING OF STARTING MAJOR NEW PROJECTS. PHILPOT SAID NEITHER SULTAN NOR ANYONE HERE INDICATED DESIRE FOR LOAN FROM CHASE BANK.

5. MEANWHILE SAMBAR ON 27TH SAW MINAGRICULTURE-FISHERIES-OIL-MINERALS SHANFARI, THEN WAS TAKEN (WITH MINISTRY REP, ALSO MORGAN AND GRENFELLS AND HAMBROS REPS) TO PDO FOR BRIEFING ON OIL PAYMENTS AND PROSPECTS BY PDO MANAGING DIRECTOR JACKLI. SHANFARI'S THEME PROVED TO BE SAME AS PHILPOT WAS GETTING FROM SULTAN. PDO'S OWN PROJECTIONS ON FUTURE PAYMENTS TO OMANGOV PROVED IDENTICAL TO WHAT MUSA SUPPLIED DAY BEFORE. SAMBAR IMPRESSED MAINLY BY BEARISH PDO ATTITUDE ABOUT PROSPECTS FOR FINDING NEW OILFIELDS AND FOR ABILITY OF OMAN SUCCESSFULLY TO LAUNCH PLANNED NEW GAS EXPLOITATION PROJECTS.

6. TENTATIVE CONCLUSIONS OF CHASE REPS.

A. PHILPOT/SAMBAR UNDERSTAND THAT FINANCIAL CRISIS IN ANY CASE HAS BEEN PUT OFF UNTIL MAY BECAUSE BBME HAS AGREED PROVIDE SHORT-TERM FINANCING FROM NOW TO END OF APRIL, TO BE SECURED BY COUNTRY'S OIL REVENUES. WHETHER ANY CONDITIONS STIPULATED IS UNKNOWN. (IN THEIR SOLE, BRIEF ENCOUNTER WITH FONMIN AND FINANCE COUNCIL HEAD QAIS ZAWAWI, CHASE REPS WERE SHOWN BBME LETTER OF EARLY FEBRUARY TO OMANGOV WHICH ZAWAWI SAID HAD MADE OMANIS FUME. IT STATED RATHER CRUDELY BBME WOULD BE HELPFUL IN FUTURE ONLY IF BBME WERE GIVEN FUTURE LIEN ON BOTH OMAN'S FINANCIAL RESERVES AND SULTAN'S PRIVATE RESERVES, AND ACCORDING TO ZAWAWI WAS REJECTED OUT OF HAND.)

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B. THEIR STRONG, IMMEDIATE IMPRESSION AS TO PURPOSE OF THIS OMANI CRY FOR HELP TO CHAIRMAN ROCKEFELLER IS THAT CHASE'S TEMPORARY PHYSICAL PRESENCE, PER SE, ON OMANI SCENE JUST AT THIS TIME IS ALL THAT WAS WANTED, APPARENTLY FOR ITS SALUTARY EFFECT ON NEGOTIATIONS WITH BRITISH BANKERS. NOTHING MORE, NOTHING LESS, THAN COSMETICS, STAGE-MANAGED FOR PSYCHOLOGICAL IMPACT AT HEIGHT OF THOSE NEGOTIATIONS.

C. CHASE REPS DEPARTED WITH PROFOUND SENSE THAT TREMENDOUS INTRIGUE, WHICH THEY COULD NOT ATTEMPT TO INTERPRET, EXISTS AT UPPER STRATA OF OMANGOV AND AROUND PALACE, TO EXTENT THAT MAKES PROPER FINANCIAL CONTROL VERY DIFFICULT. THEY SEE TOWNSEND'S TASK IN THESE CURCUMSTANCES AS ALMOST IMPOSSIBLE, AND VIEW HIM AS MOST LIKELY CANDIDATE FOR SCAPEGOAT.

D. CHASE UNDERSTANDS BRIT MERCHANT BANKERS ARE UNDER-TAKING PREPARE REPORT BY MID-MARCH ON WHETHER THEY CAN COME UP WITH COMMERCIAL FUNDS TO ASSIST OMANGOV THROUGH 1975, AND THAT THEY HAVE BEEN ASKED TO SUBMIT COPY TO CHASE MANHATTAN NY, THUS INDICATING SOME CONTINUING CM ROLE IS DESIRED.

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7. COMMENT. ENTIRE AFFAIR IS BYZANTINE AT BEST, PROFOUNDLY DISTURBING AT WORST. IT IS CLEAR PHILPOT AND SAMBAR FEEL THEY WERE "USED" AND WERE NOT AT ALL INTENDED TO SERVE SERIOUS PURPOSE OF PROFESSIONAL SOURCE OF ADVICE. YET THEY SEEMED MORE AMUSED (AND PUZZLED) THAN UPSET. TO EMBASSY, THIS CURIOUS EPISODE BEARS HALLMARKS OF CAREFUL BACKSTAGE MANIPULATING AT PALACE, WITH SHAKER A CENTRAL FIGURE. INCREDIBLE AS IT SEEMS, OMANI LEADERS MAY REALLY BELIEVE THEIR OWN LINE THAT CURRENT FINANCIAL PROBLEMS ARE NOTHING MORE THAN NASTY BRITISH-INSPIRED PROPAGANDA. IF SOME EFFECTIVE CORRECTIONS ARE NOT MADE, OMAN'S FINANCES SEEM DESTINED TO GET WORSE.

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